

**CITY OF CONWAY SPRINGS, KANSAS**

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**FINANCIAL STATEMENTS**

**WITH**

**INDEPENDENT AUDITOR'S REPORT**

**YEAR ENDED DECEMBER 31, 2011**

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**George, Bowerman & Noel, P.A.**  
*Certified Public Accountants*

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# George, Bowerman, & Noel, P.A.

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## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Mayor and  
City Council  
City of Conway Springs  
Conway Springs, Kansas

We have audited the accompanying financial statements of the City of Conway Springs, Kansas, as of and for the year ended December 31, 2011, and the individual fund financial statements of the City as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the City of Conway Springs, Kansas, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, because of the City's policy to prepare its financial statements on the basis of accounting as discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the City of Conway Springs, Kansas, as of December 31, 2011, or the results of its operations for the year then ended.

However, in our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of the City of Conway Springs, Kansas, as of December 31, 2011, and its cash receipts, cash disbursements and expenditures compared to budget, for the year then ended on the basis of accounting described in Note 1. Also, in our opinion, the individual fund financial statements as of and for the year ended December 31, 2010, present fairly, in all material respects, the unencumbered cash balances and cash receipts and expenditures, on the basis of accounting described in Note 1.

*George, Bowerman & Noel, P.A.*

Wichita, Kansas  
June 1, 2012

**CITY OF CONWAY SPRINGS, KANSAS**

**SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH**

**For the year ended December 31, 2011**  
(continued on next page)

	Beginning Unencumbered Cash Balance	Prior Year Canceled Encum- brances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash
<u>Balance</u>							
General Fund	\$ 438,474	\$ --	\$ 495,455	\$ 446,907	\$ 487,022	\$ 67,255	\$ 554,277
Special Revenue Funds:							
Special Highway	9,284	--	38,074	33,098	14,260	--	14,260
Public Safety	2,901	--	134,882	119,020	18,763	--	18,763
Library	306	--	13,540	13,846	--	--	--
Employee Benefits	39,928	--	58,512	60,145	38,295	--	38,295
Fire Department Trust	9,578	--	1,910	--	11,488	--	11,488
Cemetery Trust	5,217	--	10,815	--	16,032	--	16,032
Park Trust	2,894	--	30	120	2,804	--	2,804
Museum Trust	4,021	--	83	--	4,104	--	4,104
Ambulance Trust	15,930	--	8,920	7,261	17,589	--	17,589
Police Trust	3,421	--	--	905	2,516	--	2,516
Debt Service Funds:							
Debt Service	29,234	--	160,516	180,903	8,847	--	8,847
Capital Project Funds:							
Park and Pool Renovation Project	5,429	--	6,024	561	10,892	--	10,892
Capital Equipment Reserve	81,063	--	43,029	13,282	110,810	--	110,810
Capital Improvement Reserve	35,726	--	12,500	--	48,226	--	48,226
Fire Truck Reserve	8,476	--	32,000	32,528	7,948	--	7,948
Ambulance Acquisition Reserve	35,565	--	31,600	28,684	38,481	--	38,481
Emergency Volunteer Building	25,664	--	24,359	--	50,023	--	50,023
Enterprise Funds:							
Waterworks System	278,475	--	410,515	407,725	281,265	--	281,265
Sewage System	36,987	--	104,473	112,720	28,740	--	28,740
Refuse	21,856	--	153,702	157,225	18,333	--	18,333

**CITY OF CONWAY SPRINGS, KANSAS**

**SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH**

For the year ended December 31, 2011  
(continued from previous page)

	<u>Beginning</u> <u>Unencumbered</u> <u>Cash Balance</u>	<u>Prior</u> <u>Year</u> <u>Canceled</u> <u>Encum-</u> <u>brances</u>	<u>Cash</u> <u>Receipts</u>	<u>Expenditures</u>	<u>Ending</u> <u>Unencumbered</u> <u>Cash Balance</u>	<u>Add</u> <u>Outstanding</u> <u>Encumbrances</u> <u>and Accounts</u> <u>Payable</u>	<u>Ending</u> <u>Cash</u>
<u>Balance</u>							
Ambulance	\$ 20,886	\$ -	\$ 63,025	\$ 61,806	\$ 22,105	\$ -	\$ 22,105
Waterworks Principal and Interest Reserve	31,932	-	-	-	31,932	-	31,932
Waterworks Surplus Reserve	222,340	-	98,230	-	320,570	-	320,570
Meter Deposit	13,448	-	3,450	4,828	12,070	-	12,070
Sewer Replacement Reserve	45,676	-	19,000	-	64,676	-	64,676
Refuse Capital Equipment Reserve	<u>50,724</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>80,724</u>	<u>-</u>	<u>80,724</u>
Total Primary Government (excluding agency funds)	1,475,435	-	1,954,644	1,681,564	1,748,515	67,255	1,815,770
Component Unit:							
Conway Springs Public Library	<u>20,249</u>	<u>-</u>	<u>21,615</u>	<u>20,393</u>	<u>21,471</u>	<u>-</u>	<u>21,471</u>
Total Reporting Entity (excluding agency funds)	<u>\$1,495,684</u>	<u>\$ -</u>	<u>\$ 1,976,259</u>	<u>\$ 1,701,957</u>	<u>\$ 1,769,986</u>	<u>\$ 67,255</u>	<u>\$ 1,837,241</u>

**Composition of cash:**

Conway Bank, Conway Springs, Kansas:

Checking account - NOW \$ 42,040

Certificate of Deposit 110,820

Total Conway Bank, Conway Springs, Kansas 152,860

**CITY OF CONWAY SPRINGS, KANSAS**

**SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH**

**For the year ended December 31, 2011**  
**(continued from previous page)**

**Composition of cash (continued):**

State Bank of Conway Springs, Conway Springs, Kansas:	
Checking account – NOW	\$ 1,497,428
Checking account – NOW	13,149
Certificate of Deposit	<u>151,815</u>
Total State Bank of Conway Springs	<u>1,662,392</u>
Cash on hand	<u>518</u>
Total Primary Government	1,815,770
Less Agency Funds	<u>-</u>
Total Primary Government (excluding agency funds)	1,815,770
Component Units:	
Conway Springs Public Library:	
State Bank of Conway Springs:	
Checking account – NOW	<u>21,471</u>
Total Reporting Entity (excluding agency funds)	<u>\$ 1,837,241</u>

The accompanying notes are an integral  
part of the financial statements.



**CITY OF CONWAY SPRINGS, KANSAS**  
**SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET**  
**(BUDGETED FUNDS ONLY)**

**For the year ended December 31, 2011**

	<u>Certified Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Favorable (Unfavorable)</u>
General Fund	\$ 774,998	\$ —	\$ 774,998	\$ 446,907	\$ 328,091
Special Revenue Funds:					
Special Highway	42,022	—	42,022	33,098	8,924
Public Safety	166,728	—	166,728	119,020	47,708
Library	14,448	—	14,448	13,846	602
Employee Benefits	93,661	—	93,661	60,145	33,516
Debt Service Fund:					
Debt Service	190,977	—	190,977	180,903	10,074
Enterprise Funds:					
Waterworks System	469,748	—	469,748	407,725	62,023
Sewage System	136,232	—	136,232	112,720	23,512
Refuse	162,587	—	162,587	157,225	5,362
Ambulance	85,837	—	85,837	61,806	24,031

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CONWAY SPRINGS, KANSAS**

**GENERAL FUND**

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND  
CHANGES IN UNENCUMBERED CASH BALANCES –  
ACTUAL AND BUDGET  
(continued on next page)**

	Year ended December 31,			
	2011			Variance
	2010	Actual	Budget	favorable
	<u>Actual</u>			<u>(unfavorable)</u>
Taxes	\$ 238,827	\$ 301,992	\$ 296,620	\$ 5,372
Intergovernmental	32,769	32,832	36,972	(4,140)
Licenses and permits	94,603	95,431	113,440	(18,009)
Charges for services	27,496	31,237	14,900	16,337
Fines and forfeitures	11,674	3,915	5,600	(1,685)
Interest	11,617	6,490	15,000	(8,510)
Facility rental	16,275	14,715	15,400	(685)
Miscellaneous	15,056	6,339	1,000	5,339
Reimbursed expenditures	<u>2,524</u>	<u>2,504</u>	<u>2,500</u>	<u>4</u>
Total cash receipts	<u>450,841</u>	<u>495,455</u>	<u>\$ 501,432</u>	<u>\$ (5,977)</u>
Expenditures:				
Administration Department:				
Personal services	32,974	31,779	\$ 46,600	\$ 14,821
Contractual services	45,337	39,452	69,110	29,658
Commodities	2,163	1,366	4,400	3,034
Capital outlay	–	2,118	6,400	4,282
Transfers to Capital Equipment				
Reserve Fund	<u>–</u>	<u>5,000</u>	<u>5,000</u>	<u>–</u>
Total Administration				
Department	<u>80,474</u>	<u>79,715</u>	<u>131,510</u>	<u>51,795</u>
Fire Department:				
Personal services	5,355	2,988	3,000	12
Contractual services	11,751	11,489	30,123	18,634
Commodities	5,481	7,291	6,192	(1,099)
Capital outlay	10,000	16,576	15,000	(1,576)
Transfers to Capital Equipment				
Reserve Fund	<u>5,000</u>	<u>10,000</u>	<u>10,000</u>	<u>–</u>

**CITY OF CONWAY SPRINGS, KANSAS**

**GENERAL FUND**

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND  
CHANGES IN UNENCUMBERED CASH BALANCES –  
ACTUAL AND BUDGET**

(continued from previous page)

	Year ended December 31,			
	2011			
	2010 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavorable)
Total Fire Department	\$ 37,587	\$ 48,344	\$ 64,315	\$ 15,971
Emergency Preparedness Department:				
Personal services	450	2,713	2,700	(13)
Contractual services	607	763	675	(88)
Commodities	143	69	1,000	931
Capital outlay	<u>—</u>	<u>—</u>	<u>3,500</u>	<u>3,500</u>
Total Emergency Preparedness Department	<u>1,200</u>	<u>3,545</u>	<u>7,875</u>	<u>4,330</u>
Park and Swimming Pool Department:				
Personal services	33,908	33,764	44,000	10,236
Contractual services	9,238	11,211	11,350	139
Commodities	10,059	12,924	14,000	1,076
Capital outlay	<u>—</u>	<u>16,755</u>	<u>14,000</u>	<u>(2,755)</u>
Total Park and Swimming Pool Department	<u>53,205</u>	<u>74,654</u>	<u>83,350</u>	<u>8,696</u>
Street Department:				
Contractual services	17,235	181,961	21,500	(160,461)
Commodities	—	—	18,000	18,000
Capital outlay	<u>—</u>	<u>—</u>	<u>350,000</u>	<u>350,000</u>
Total Street Department	<u>17,235</u>	<u>181,961</u>	<u>389,500</u>	<u>207,539</u>
Cemetery Department:				
Personal services	7,348	8,015	11,500	3,485
Contractual services	1,867	1,509	2,620	1,111

# CITY OF CONWAY SPRINGS, KANSAS

## GENERAL FUND

### STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES IN UNENCUMBERED CASH BALANCES –

#### ACTUAL AND BUDGET (continued from previous page)

	Year ended December 31,			
		2011		
	2010 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavorable)
Commodities	\$ 1,407	\$ 1,724	\$ 2,000	\$ 276
Capital outlay	<u>—</u>	<u>202</u>	<u>6,000</u>	<u>5,798</u>
Total Cemetery Department	<u>10,622</u>	<u>11,450</u>	<u>22,120</u>	<u>10,670</u>
Museum Department:				
Personal services	156	—	150	150
Contractual services	217	238	175	(63)
Commodities	30	—	100	100
Capital outlay	<u>—</u>	<u>—</u>	<u>3,000</u>	<u>3,000</u>
Total Museum Department	<u>403</u>	<u>238</u>	<u>3,425</u>	<u>3,187</u>
Nondepartmental:				
Revitalization rebate	—	—	5,903	5,903
Transfers to other funds	<u>47,000</u>	<u>47,000</u>	<u>67,000</u>	<u>20,000</u>
Total Nondepartmental	<u>47,000</u>	<u>47,000</u>	<u>72,903</u>	<u>25,903</u>
Total expenditures	<u>247,726</u>	<u>446,907</u>	<u>\$ 774,998</u>	<u>\$ 328,091</u>
Cash receipts over expenditures	203,115	48,548		
Unencumbered cash balance, beginning of year	<u>235,359</u>	<u>438,474</u>	<u>\$ 273,566</u>	<u>\$ 164,908</u>
Unencumbered cash balance, end of year	<u>\$ 438,474</u>	<u>\$ 487,022</u>		

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CONWAY SPRINGS, KANSAS**

**SPECIAL HIGHWAY FUND**

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES  
IN UNENCUMBERED CASH BALANCES – ACTUAL AND BUDGET**

	Year ended December 31,			Variance favorable (unfavorable)
	2010 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash receipts:				
Motor fuels tax	\$ 31,945	\$ 32,074	\$ 32,950	\$ (876)
Sumner County	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>	<u>—</u>
Total cash receipts	<u>37,945</u>	<u>38,074</u>	<u>\$38,950</u>	<u>\$ (876)</u>
Expenditures:				
Personal services	16,339	13,294	\$ 24,000	\$ 10,706
Contractual services	628	3,074	4,500	1,426
Commodities	13,265	11,769	9,627	(2,142)
Capital outlay	1,961	1,961	895	(1,066)
Transfers to Capital Equipment				
Reserve Fund	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>—</u>
Total expenditures	<u>35,193</u>	<u>33,098</u>	<u>\$42,022</u>	<u>\$ 8,924</u>
Cash receipts over expenditures	2,752	4,976		
Unencumbered cash balance, beginning of year	<u>6,532</u>	<u>9,284</u>	<u>\$ 3,072</u>	<u>\$ 6,212</u>
Unencumbered cash balance, end of year	<u>\$ 9,284</u>	<u>\$14,260</u>		

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CONWAY SPRINGS, KANSAS**

**PUBLIC SAFETY FUND**

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES  
IN UNENCUMBERED CASH BALANCES – ACTUAL AND BUDGET**

	Year ended December 31,			
		2011		
	2010	Actual	Budget	Variance favorable (unfavorable)
	Actual			
Cash receipts:				
Taxes	\$140,214	\$ 134,456	\$ 136,586	\$ (2,130)
Miscellaneous	365	426	–	426
Transfers in	–	–	20,000	(20,000)
Total cash receipts	<u>140,579</u>	<u>134,882</u>	<u>\$ 156,586</u>	<u>\$ (21,704)</u>
Expenditures:				
Personal services	99,519	78,744	\$ 108,000	\$ 29,256
Contractual services	16,148	20,445	28,500	8,055
Commodities	10,264	9,990	11,500	1,510
Capital outlay	–	6,841	12,000	5,159
Transfer out	7,000	3,000	3,000	–
Debt service	5,946	–	–	–
Revitalization rebate	–	–	3,728	3,728
Total expenditures	<u>138,877</u>	<u>119,020</u>	<u>\$ 166,728</u>	<u>\$ 47,708</u>
Cash receipts over expenditures	1,702	15,862		
Unencumbered cash balance, beginning of year	<u>1,199</u>	<u>2,901</u>	<u>\$ 10,142</u>	<u>\$ (7,241)</u>
Unencumbered cash balance, end of year	<u>\$ 2,901</u>	<u>\$ 18,763</u>		

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CONWAY SPRINGS, KANSAS**

**LIBRARY FUND**

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES  
IN UNENCUMBERED CASH BALANCES – ACTUAL AND BUDGET**

	Year ended December 31,			
		2011		
	2010	Actual	Budget	Variance
	<u>Actual</u>			<u>favorable</u> <u>(unfavorable)</u>
Cash receipts:				
Taxes	\$ 14,213	\$ 13,540	\$ 13,678	\$ (138)
Expenditures:				
Appropriation to Library Board	15,261	13,846	\$ 14,075	\$ 229
Revitalization rebate	<u>—</u>	<u>—</u>	<u>373</u>	<u>373</u>
Total expenditures	<u>15,261</u>	<u>13,846</u>	<u>\$ 14,448</u>	<u>602</u>
Expenditures over cash receipts	(1,048)	(306)		
Unencumbered cash balance,				
beginning of year	<u>1,354</u>	<u>306</u>	<u>\$ 770</u>	<u>\$ (464)</u>
Unencumbered cash balance,				
end of year	<u>\$ 306</u>	<u>\$ —</u>		

The accompanying notes are an integral  
part of the financial statements.

# CITY OF CONWAY SPRINGS, KANSAS

## EMPLOYEE BENEFITS FUND

### STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES IN UNENCUMBERED CASH BALANCES – ACTUAL AND BUDGET

	Year ended December 31,			Variance favorable (unfavorable)
	2010 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash receipts:				
Taxes	\$ 22,765	\$ 21,342	\$ 19,637	\$ 1,705
Employee contributions	29,759	22,470	31,400	(8,930)
Transfers in	<u>11,500</u>	<u>14,700</u>	<u>14,700</u>	<u>—</u>
Total cash receipts	<u>64,024</u>	<u>58,512</u>	<u>\$ 65,737</u>	<u>\$ (7,225)</u>
Expenditures:				
Social security and Medicare	41,602	34,299	\$ 49,000	\$ 14,701
KPERS	23,594	22,174	29,000	6,826
Workers compensation insurance	—	—	8,611	8,611
Unemployment insurance	2,192	3,672	6,500	2,828
Revitalization rebate	<u>—</u>	<u>—</u>	<u>550</u>	<u>550</u>
Total expenditures	<u>67,388</u>	<u>60,145</u>	<u>\$ 93,661</u>	<u>\$ 33,516</u>
Expenditures over cash receipts	(3,364)	(1,633)		
Unencumbered cash balance, beginning of year	<u>43,292</u>	<u>39,928</u>	<u>\$ 27,924</u>	<u>\$ 12,004</u>
Unencumbered cash balance, end of year	<u>\$ 39,928</u>	<u>\$ 38,295</u>		

The accompanying notes are an integral  
part of the financial statements.



**CITY OF CONWAY SPRINGS, KANSAS**

**FIRE DEPARTMENT TRUST FUND**

**STATEMENT OF CASH RECEIPTS, EXPENDITURES  
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Donations and fund raising activities	\$ 1,910	\$ 1,255
Refunds	<u>—</u>	<u>197</u>
Total cash receipts	<u>1,910</u>	<u>1,452</u>
Expenditures:		
Contractual services	—	10
Commodities	<u>—</u>	<u>624</u>
Total expenditures	<u>—</u>	<u>634</u>
Cash receipts over expenditures	1,910	818
Unencumbered cash balance, beginning of year	<u>9,578</u>	<u>8,760</u>
Unencumbered cash balance, end of year	<u>\$ 11,488</u>	<u>\$ 9,578</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CONWAY SPRINGS, KANSAS**

**CEMETERY TRUST FUND**

**STATEMENT OF CASH RECEIPTS, EXPENDITURES  
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Dues/Donations	\$ 10,815	\$ 841
Expenditures:		
Commodities	<u>—</u>	<u>—</u>
Cash receipts over expenditures	10,815	841
Unencumbered cash balance, beginning of year	<u>5,217</u>	<u>4,376</u>
Unencumbered cash balance, end of year	<u>\$ 16,032</u>	<u>\$ 5,217</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CONWAY SPRINGS, KANSAS**

**PARK TRUST FUND**

**STATEMENT OF CASH RECEIPTS, EXPENDITURES  
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Donations	\$ 30	\$ —
Expenditures:		
Commodities	35	—
Capital outlay	<u>85</u>	<u>—</u>
Total expenditures	<u>120</u>	<u>—</u>
Cash receipts over (under) expenditures	(90)	—
Unencumbered cash balance, beginning of year	<u>2,894</u>	<u>2,849</u>
Unencumbered cash balance, end of year	<u>\$ 2,804</u>	<u>\$ 2,894</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CONWAY SPRINGS, KANSAS**

**MUSEUM TRUST FUND**

**STATEMENT OF CASH RECEIPTS, EXPENDITURES  
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Donations	\$ 83	\$ —
Expenditures:		
Personal services	<u>—</u>	<u>—</u>
Cash receipts over expenditures	83	—
Unencumbered cash balance, beginning of year	<u>4,021</u>	<u>4,021</u>
Unencumbered cash balance, end of year	<u>\$ 4,104</u>	<u>\$ 4,021</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CONWAY SPRINGS, KANSAS**

**AMBULANCE TRUST FUND**

**STATEMENT OF CASH RECEIPTS, EXPENDITURES  
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Donations	\$ 8,410	\$ 4,472
Intergovernmental	—	5,110
Miscellaneous	<u>510</u>	<u>—</u>
Total cash receipts	<u>8,920</u>	<u>9,582</u>
Expenditures:		
Contractual services	3,741	1,723
Commodities	<u>3,520</u>	<u>2,393</u>
Total expenditures	<u>7,261</u>	<u>4,116</u>
Cash receipts over expenditures	1,659	5,466
Unencumbered cash balance, beginning of year	<u>15,930</u>	<u>10,464</u>
Unencumbered cash balance, end of year	<u>\$ 17,589</u>	<u>\$15,930</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CONWAY SPRINGS, KANSAS**

**POLICE TRUST FUND**

**STATEMENT OF CASH RECEIPTS, EXPENDITURES  
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Donations	\$   —	\$   800
Other	<u>     —</u>	<u>  1,000</u>
Total cash receipts	<u>     —</u>	<u>  1,800</u>
Expenditures:		
Contractual services	—	339
Commodities	<u>   905</u>	<u>   747</u>
Total expenditures	<u>   905</u>	<u>  1,086</u>
Cash receipts over (under) expenditures	(905)	714
Unencumbered cash balance, beginning of year	<u>  3,421</u>	<u>  2,707</u>
Unencumbered cash balance, end of year	<u>\$ 2,516</u>	<u>\$ 3,421</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CONWAY SPRINGS, KANSAS**

**DEBT SERVICE FUND**

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES  
IN UNENCUMBERED CASH BALANCE – ACTUAL AND BUDGET**

	Year ended December 31,			
	2010 <u>Actual</u>	2011		Variance favorable (unfavorable)
		<u>Actual</u>	<u>Budget</u>	
Cash receipts:				
Taxes	\$ 171,435	\$ 118,798	\$ 117,403	\$ 1,395
Special assessments	37,251	20,718	18,250	2,468
Use of money and property	<u>21,000</u>	<u>21,000</u>	<u>21,000</u>	<u>—</u>
Total cash receipts	<u>229,686</u>	<u>160,516</u>	<u>\$ 156,653</u>	<u>\$ 3,863</u>
Expenditures:				
Bond - principal	225,000	155,000	\$ 155,000	\$ —
Bond - interest and fiscal charges	36,356	25,903	25,950	47
Cash basis reserve	—	—	7,000	7,000
Revitalization rebate	<u>—</u>	<u>—</u>	<u>3,027</u>	<u>3,027</u>
Total expenditures	<u>261,356</u>	<u>180,903</u>	<u>\$ 190,977</u>	<u>\$ 10,074</u>
Expenditures over cash receipts	(31,670)	(20,387)		
Unencumbered cash balance, beginning of year	<u>60,904</u>	<u>29,234</u>	<u>\$ 34,324</u>	<u>\$ (5,090)</u>
Unencumbered cash balance, end of year	<u>\$ 29,234</u>	<u>\$ 8,847</u>		

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CONWAY SPRINGS, KANSAS**  
**PARK AND POOL RENOVATION PROJECT FUND**  
**STATEMENT OF CASH RECEIPTS, EXPENDITURES**  
**AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Donations and fund raising activities	\$ 5,784	\$ 240
Other	<u>240</u>	<u>—</u>
Total cash receipts	6,024	240
Expenditures:		
Commodities	<u>561</u>	<u>—</u>
Cash receipts over expenditures	5,463	240
Unencumbered cash balance, beginning of year	<u>5,429</u>	<u>5,189</u>
Unencumbered cash balance, end of year	<u>\$ 10,892</u>	<u>\$ 5,429</u>

The accompanying notes are an integral  
part of the financial statements.



**CITY OF CONWAY SPRINGS, KANSAS**

**CAPITAL EQUIPMENT RESERVE FUND**

**STATEMENT OF CASH RECEIPTS, EXPENDITURES  
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Transfers in	\$ 38,500	\$ 36,500
Sale of surplus equipment	<u>4,529</u>	<u>—</u>
Total cash receipts	43,029	36,500
Expenditures:		
Capital outlay	<u>13,282</u>	<u>—</u>
Cash receipts over expenditures	29,747	36,500
Unencumbered cash balance, beginning of year	<u>81,063</u>	<u>44,563</u>
Unencumbered cash balance, end of year	<u>\$110,810</u>	<u>\$ 81,063</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CONWAY SPRINGS, KANSAS**

**CAPITAL IMPROVEMENT RESERVE FUND**

**STATEMENT OF CASH RECEIPTS, EXPENDITURES  
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Transfers in	\$ 12,500	\$ 8,660
Expenditures:		
Capital outlay	<u>—</u>	<u>—</u>
Cash receipts over expenditures	12,500	8,660
Unencumbered cash balance, beginning of year	<u>35,726</u>	<u>27,066</u>
Unencumbered cash balance, end of year	<u>\$ 48,226</u>	<u>\$ 35,726</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CONWAY SPRINGS, KANSAS**

**FIRE TRUCK RESERVE FUND**

**STATEMENT OF CASH RECEIPTS, EXPENDITURES  
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Transfers in	\$ 32,000	\$ 32,000
Expenditures:		
Debt service	<u>32,528</u>	<u>32,527</u>
Expenditures over cash receipts	(528)	(527)
Unencumbered cash balance, beginning of year	<u>8,476</u>	<u>9,003</u>
Unencumbered cash balance, end of year	<u>\$ 7,948</u>	<u>\$ 8,476</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CONWAY SPRINGS, KANSAS**

**AMBULANCE ACQUISITION RESERVE FUND**

**STATEMENT OF CASH RECEIPTS, EXPENDITURES  
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Transfers in	\$ 31,600	\$ 34,852
Expenditures:		
Debt Service	<u>28,684</u>	<u>28,684</u>
Cash receipts over expenditures	2,916	6,168
Unencumbered cash balance, beginning of year	<u>35,565</u>	<u>29,397</u>
Unencumbered cash balance, end of year	<u>\$ 38,481</u>	<u>\$ 35,565</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CONWAY SPRINGS, KANSAS**

**EMERGENCY VOLUNTEER BUILDING FUND**

**STATEMENT OF CASH RECEIPTS, EXPENDITURES  
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Donations	<u>\$ 24,359</u>	<u>\$ 25,403</u>
Expenditures:		
Commodities	<u>—</u>	<u>1,676</u>
Capital outlay	<u>—</u>	<u>6,338</u>
Total expenditures	<u>—</u>	<u>8,014</u>
Cash receipts over expenditures	24,359	17,389
Unencumbered cash balance, beginning of year	<u>25,664</u>	<u>8,275</u>
Unencumbered cash balance, end of year	<u>\$ 50,023</u>	<u>\$ 25,664</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CONWAY SPRINGS, KANSAS**

**WATERWORKS SYSTEM FUND**

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES  
IN UNENCUMBERED CASH BALANCES – ACTUAL AND BUDGET**

	Year ended December 31,			
		2011		
	2010 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavor- able)
Cash receipts:				
Charges for services	\$ 400,627	\$409,257	\$ 346,100	\$ 63,157
Intergovernmental	18,750	—	—	—
Miscellaneous	<u>—</u>	<u>1,258</u>	<u>—</u>	<u>1,258</u>
Total cash receipts	<u>419,377</u>	<u>410,515</u>	<u>\$ 346,100</u>	<u>\$ 64,415</u>
Expenditures:				
Personal services	51,682	60,588	\$ 75,000	\$ 14,412
Contractual services	84,587	100,001	115,000	14,999
Commodities	15,214	36,383	40,000	3,617
Capital outlay	4,210	25,228	54,905	29,677
Debt service	69,938	72,828	72,813	(15)
Water use fee	2,013	2,146	1,600	(546)
Interest paid on meter deposits	128	44	—	(44)
Sales tax remittances	1,586	2,077	2,000	(77)
Transfers to reserve funds	83,697	98,230	98,230	—
Transfers to other funds	<u>7,000</u>	<u>10,200</u>	<u>10,200</u>	<u>—</u>
Total expenditures	<u>320,055</u>	<u>407,725</u>	<u>\$ 469,748</u>	<u>\$ 62,023</u>
Cash receipts over expenditures	99,322	2,790		
Unencumbered cash balance	<u>179,153</u>	<u>278,475</u>	<u>\$ 123,648</u>	<u>\$154,827</u>
Unencumbered cash balance, end of year	<u>\$ 278,475</u>	<u>\$281,265</u>		

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CONWAY SPRINGS, KANSAS**

**SEWAGE SYSTEM FUND**

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES  
IN UNENCUMBERED CASH BALANCES – ACTUAL AND BUDGET**

	Year ended December 31,			
		2011		
	2010 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavor- able)
Cash receipts:				
Charges for services	<u>\$102,765</u>	<u>\$ 104,473</u>	<u>\$ 105,000</u>	<u>\$ (527)</u>
Expenditures:				
Personal services	19,152	18,857	\$ 25,000	\$ 6,143
Contractual services	5,911	6,307	9,000	2,693
Commodities	4,178	7,289	7,000	(289)
Capital outlay	620	–	14,965	14,965
Debt service	48,766	48,767	48,767	–
Transfers to reserve funds	37,247	29,000	29,000	–
Transfers to other funds	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>–</u>
Total expenditures	<u>118,374</u>	<u>112,720</u>	<u>136,232</u>	<u>\$ 23,512</u>
Expenditures over cash receipts	(15,609)	(8,247)		
Unencumbered cash balance, beginning of year	<u>52,596</u>	<u>36,987</u>	<u>\$ 31,232</u>	<u>\$ 5,755</u>
Unencumbered cash balance, end of year	<u>\$ 36,987</u>	<u>\$ 28,740</u>		

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CONWAY SPRINGS, KANSAS**

**REFUSE FUND**

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES  
IN UNENCUMBERED CASH BALANCES – ACTUAL AND BUDGET**

	Year ended December 31,			
	2011			
	2010 <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Variance favorable (unfavor- able)
Cash receipts:				
Charges for services	\$ 137,224	\$ 151,172	\$ 140,000	\$ 11,172
Miscellaneous	<u>2,943</u>	<u>2,530</u>	<u>2,000</u>	<u>530</u>
Total cash receipts	<u>140,167</u>	<u>153,702</u>	<u>\$ 142,000</u>	<u>\$ 11,702</u>
Expenditures:				
Personal services	13,615	13,899	\$ 20,000	\$ 6,101
Contractual services	82,851	103,022	97,000	(6,022)
Commodities	2,809	3,304	5,000	1,696
Capital outlay	3,000	–	5,687	5,687
Transfers to reserve funds	35,884	35,000	32,900	(2,100)
Transfers to other funds	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>–</u>
Total expenditures	<u>140,159</u>	<u>157,225</u>	<u>\$ 162,587</u>	<u>\$ 5,362</u>
Cash receipts over (under) expenditures	8	(3,523)		
Unencumbered cash balance, beginning of year	<u>21,848</u>	<u>21,856</u>	<u>\$ 20,587</u>	<u>\$ 1,269</u>
Unencumbered cash balance, end of year	<u>\$ 21,856</u>	<u>\$ 18,333</u>		

The accompanying notes are an integral  
part of the financial statements.



**CITY OF CONWAY SPRINGS, KANSAS**

**AMBULANCE FUND**

**STATEMENT OF CASH RECEIPTS, EXPENDITURES AND CHANGES  
IN UNENCUMBERED CASH BALANCES – ACTUAL AND BUDGET**

	Year ended December 31,			
	2011			Variance
	2010	Actual	Budget	favorable
	<u>Actual</u>			(unfavorable)
Cash receipts:				
Charges for services	\$ 42,512	\$ 50,020	\$ 48,800	\$ 1,220
Intergovernmental	14,020	12,955	13,219	(264)
Miscellaneous	<u>357</u>	<u>50</u>	<u>—</u>	<u>50</u>
Total cash receipts	<u>56,889</u>	<u>63,025</u>	<u>\$ 62,019</u>	<u>\$ 1,006</u>
Expenditures:				
Personal services	5,087	5,088	\$ 5,000	\$ (88)
Contractual services	21,897	18,556	25,937	7,381
Commodities	7,505	6,291	10,000	3,709
Capital outlay	11,712	271	13,300	13,029
Transfers to reserve funds	<u>34,852</u>	<u>31,600</u>	<u>31,600</u>	<u>—</u>
Total expenditures	<u>81,053</u>	<u>61,806</u>	<u>\$ 85,837</u>	<u>\$24,031</u>
Cash receipts over (under) expenditures	(24,164)	1,219		
Unencumbered cash balance, beginning of year	<u>45,050</u>	<u>20,886</u>	<u>\$ 23,818</u>	<u>\$ (2,932)</u>
Unencumbered cash balance, end of year	<u>\$ 20,886</u>	<u>\$ 22,105</u>		

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CONWAY SPRINGS, KANSAS**

**WATERWORKS PRINCIPAL AND INTEREST RESERVE FUND**

**STATEMENT OF CASH RECEIPTS, EXPENDITURES  
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Transfers in	\$ <u>—</u>	\$ <u>—</u>
Expenditures:		
Revenue bond principal	<u>—</u>	<u>—</u>
Revenue bond interest	<u>—</u>	<u>—</u>
Total expenditures	<u>—</u>	<u>—</u>
Cash receipts over (under) expenditures	<u>—</u>	<u>—</u>
Unencumbered cash balance, beginning of year	<u>31,932</u>	<u>31,932</u>
Unencumbered cash balance, end of year	<u>\$ 31,932</u>	<u>\$ 31,932</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CONWAY SPRINGS, KANSAS**

**WATERWORKS SURPLUS RESERVE FUND**

**STATEMENT OF CASH RECEIPTS, EXPENDITURES  
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Transfers in	\$ 98,230	\$ 83,697
Expenditures:		
Transfers out	<u>—</u>	<u>—</u>
Cash receipts over expenditures	98,230	83,697
Unencumbered cash balance, beginning of year	<u>222,340</u>	<u>138,643</u>
Unencumbered cash balance, end of year	<u>\$320,570</u>	<u>\$222,340</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CONWAY SPRINGS, KANSAS**

**METER DEPOSIT FUND**

**STATEMENT OF CASH RECEIPTS, EXPENDITURES  
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Customer deposits	\$ 3,450	\$ 4,300
Expenditures:		
Deposit refunds/applied to customer accounts	<u>4,828</u>	<u>5,055</u>
Expenditures over cash receipts	(1,378)	(755)
Unencumbered cash balance, beginning of year	<u>13,448</u>	<u>14,203</u>
Unencumbered cash balance, end of year	<u>\$ 12,070</u>	<u>\$ 13,448</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CONWAY SPRINGS, KANSAS**

**SEWER REPLACEMENT RESERVE FUND**

**STATEMENT OF CASH RECEIPTS, EXPENDITURES  
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Transfers in	\$ 19,000	\$ 32,247
Expenditures:		
Capital outlay	<u>—</u>	<u>—</u>
Cash receipts over expenditures	19,000	32,247
Unencumbered cash balance, beginning of year	<u>45,676</u>	<u>13,429</u>
Unencumbered cash balance, end of year	<u>\$ 64,676</u>	<u>\$ 45,676</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CONWAY SPRINGS, KANSAS**

**REFUSE CAPITAL EQUIPMENT RESERVE FUND**

**STATEMENT OF CASH RECEIPTS, EXPENDITURES  
AND CHANGES IN UNENCUMBERED CASH BALANCES**

	<u>Year ended December 31,</u>	
	<u>2011</u>	<u>2010</u>
Cash receipts:		
Transfers in	\$ 30,000	\$ 25,724
Expenditures:		
Capital outlay	<u>—</u>	<u>—</u>
Cash receipts over expenditures	30,000	25,724
Unencumbered cash balance, beginning of year	<u>50,724</u>	<u>25,000</u>
Unencumbered cash balance, end of year	<u>\$ 80,724</u>	<u>\$ 50,724</u>

The accompanying notes are an integral  
part of the financial statements.

**CITY OF CONWAY SPRINGS, KANSAS**  
**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS –**  
**ALL AGENCY FUNDS**

**Year ended December 31, 2011**

	Beginning Cash Balance January 1, <u>2011</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Ending Cash Balance December 31, <u>2011</u>
Payroll Tax Withholding Fund	\$   –	\$33,261	\$33,261	\$   –
Municipal Court Fund	<u>          –</u>	<u>     3,915</u>	<u>     3,915</u>	<u>          –</u>
Totals	<u><u>\$   –</u></u>	<u><u>\$37,176</u></u>	<u><u>\$37,176</u></u>	<u><u>\$   –</u></u>

The accompanying notes are an integral  
part of the financial statements.

# **CITY OF CONWAY SPRINGS, KANSAS**

## **NOTES TO FINANCIAL STATEMENTS**

**December 31, 2011**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Reporting entity**

The City of Conway Springs, Kansas, (City) operates under a Mayor-Council form of government consisting of a Mayor and five councilpersons elected at-large from within the City. The City provides services to its citizens in the areas of highways and streets, water, sewer and refuse utilities, public improvement, public safety, planning and zoning, recreation and general administrative services.

These financial statements present the City of Conway Springs, Kansas, (the primary government) and its component unit. A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. The component unit discussed in the following paragraph is included in the City's reporting entity because the primary government is considered financially accountable or the economic resources received and held by the separate organization is entirely for the direct benefit of the primary government.

A seven-member board appointed by the Mayor with approval by the City Council governs the Conway Springs Public Library Board. The Conway Springs Public Library Board operates the public library in the City. The Library Board may not purchase or lease a site or erect a building for use of the library without the approval of the City Council. The Library Board taxes are levied under the taxing authority of the City and are included as part of the City's total tax levy. These taxes are accounted for in the Library special revenue fund of the City. The Library Board also receives funding through state assistance programs and donations.

The City's component unit does not issue separate audited financial statements.

#### **Description of funds**

The accounts of the City are organized and operated on the basis of funds, each of which is defined as an accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

In accordance with state statutes, several different types of funds and account groups are used to record the City's financial transactions. For financial reporting, they have been grouped and are presented in this report as follows:



## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Governmental fund types**

General fund – The general fund is used to account for and report all financial resources not accounted for in another fund.

Special revenue funds – Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt service fund – The debt service fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest on general long-term debt. Revenue sources include special assessment taxes which are a financing source for certain general obligation bonds of the City.

Capital project funds – The capital project funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

### **Proprietary fund types**

Enterprise funds – Enterprise funds are used to account for and report operations where it is the stated intent that costs of providing that service to the general public on a continuing basis be financed or recovered primarily through user charges.

### **Fiduciary fund types**

Agency funds – Agency funds are used to account for assets held by the City as an agent for individuals, private organizations and other governmental units. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

### **Basis of accounting**

The financial statements are presented on the statutory basis of accounting. The statutory basis is a basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The City has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the City to use the statutory basis of accounting.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

### **Departure from accounting principles generally accepted in the United States of America**

The basis of accounting described above results in a financial statement presentation, which shows cash receipts, cash disbursements, cash and unencumbered cash balances and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Capital assets that account for land, buildings, infrastructure and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, temporary notes revenue bonds, capital leases and compensated absences are not presented in the financial statements.

### **Budgetary principles**

The City is required by state statute to legally adopt annual operating budgets for the general fund, special revenue funds (unless exempted by specific statute), debt service fund and enterprise funds. A legal operating budget is not required for the Fire Department Trust, Cemetery Trust, Park Trust, Museum Trust, Ambulance Trust, Police Trust, Park and Pool Renovation Project, Capital Equipment Reserve, Capital Improvement Reserve, Fire Truck Reserve, Ambulance Acquisition Reserve, Emergency Volunteer Building, Waterworks Principal and Interest Reserve, Waterworks Surplus Reserve, Meter Deposit, Sewer Replacement Reserve, and Refuse Equipment Reserve funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **4. Adoption of the final budget on or before August 25th.**

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. This process requires a notice of public hearing to amend the budget to be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no individual fund budgets amended by the governing body during 2011.

Kansas statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds.

All legal annual operating budgets are prepared using the statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the City for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations lapse at the end of the year, except for capital project fund appropriations, which are carried forward until such time as the project is completed or terminated.

Controls over spending in funds which are not subject to legal budgets are maintained by other statutes or by the use of internal spending limits established by management.

### **Deposits and investments**

Deposits and investments include amounts in interest-bearing money market accounts. Cash deposits are reported at a carrying amount that approximates fair value. Interest income is credited to the General fund.

### **Compensated absences**

The City's policies regarding vacation leave are based on the anniversary of an employee's employment date. Those policies permit all full-time employees after one year of employment to earn 5 calendar days' vacation pay, after three years of employment 10 calendar days' vacation pay, after ten years of employment 15 calendar days' vacation pay, and after twenty years of employment 20 calendar days' vacation pay. Part-time employees receive vacation as outlined for full-time employees by prorated on the number of hours worked. Seasonal and temporary employees shall not be eligible for vacation pay. Policies require vacation time to be taken annually and cannot be carried over from year to year without governing body approval. Upon termination, an employee shall be compensated for all earned but unused vacation leave at their final rate of pay.

City employees earn sick/personal leave at thirty-two hours for full-time employees, twenty-four hours for three-fourths time, and sixteen hours for half-time employees per year and are granted on an employees' anniversary date. Unused sick/personal leave may

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

not be carried over but will be paid to the employee at the current rate of pay. An employee shall not be paid for any unused sick/personal leave upon termination of employment with the City.

### **Pension plan**

All full-time employees are members of the State of Kansas Public Employees' Retirement System (KPERS), which is a cost sharing multi-employer statewide pension plan. The City's policy is to fund all pension costs as accrued; such costs to be funded are determined annually by the system's actuary.

### **Concentration of credit risk**

The City routinely grants credit to utility customers, in accordance with applicable utility rate ordinances, all of which are located within the environs of the City. This credit is collateralized with security deposits from new and slow paying customers.

### **Risk management**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

## **2. DEPOSITS AND INVESTMENTS**

K.S.A. 9-1401 establishes the depositories which may be used by governmental entities in Kansas. The statute requires banks eligible to hold the City's funds have a main or branch bank in the county in which the City is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of Federal Depository Insurance Corporation coverage. The City has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the City's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The City has no investment policy that would further limit its investment choices.

### **Concentration of credit risk**

State statutes place no limit on the amount the City may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The City's allocation of investments as of December 31, 2011, is as follows:

## 2. DEPOSITS AND INVESTMENTS (continued)

Conway Bank of Conway Springs	9%
State Bank of Conway Springs	91%

### Custodial credit risk – deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy follows applicable State Statutes and requires deposits to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2011.

At year-end, the carrying amount of the City's deposits was \$1,815,252 with the bank balances of such accounts being \$1,840,968. Of the bank balances, \$381,871 was covered by federal depository insurance and the remaining balance of \$1,459,097 was covered by collateral held by the City's custodial banks in joint custody in the name of the City and its banks. The fair value of those pledged securities held by the City's custodial banks was \$1,766,540 at December 31, 2011.

The City's component unit's cash and deposits at December 31, 2011 consisted of interest-bearing checking accounts. At year-end, the carrying amount of the City's component unit deposits was \$21,471 and the bank balances were \$21,471, which was entirely covered by federal depository insurance.

## 3. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2011:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General Obligation Bonds, Series 1997	4.00-5.00	10-1-97	\$ 375,000	12-1-12	\$ 75,000	\$ –	\$ 35,000	\$ 40,000	\$ 3,750
General Obligation Street Improvement Bonds Series 1998-1	4.55-6.00	4-1-98	390,000	12-1-13	115,000	–	35,000	80,000	5,750
General Obligation Bonds, Series 1998-2	4.20-6.00	12-1-98	141,000	12-1-13	45,000	–	15,000	30,000	2,048
General Obligation Bonds, Series 2002	4.00-5.25	5-1-02	428,000	12-1-12	105,000	–	50,000	55,000	4,675

### 3. LONG-TERM DEBT (continued)

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
General Obligation Refunding and Improvement Bonds, Series 2004	2.25-4.65	9-1-04	\$ 300,000	11-1-20	\$ 235,000	\$ -	\$ 20,000	\$ 215,000	\$ 9,670
General Obligation Bonds, Series 2006	3.85-4.10	8-1-06	375,000	9-1-20	320,000	-	60,000	260,000	12,813
Capital Lease Obligation, Laverne Pumper Truck	6.08	5-12-03	200,030	8-1-13	71,652	-	23,151	48,501	4,484
Capital Lease Obligation, Ambulance	5.00%	11-25-08	126,000	1-3-14	79,691	-	25,270	54,421	3,413
Note Payable to Conway Springs Firemen's Relief Association	4.00	10-16-02	40,000	10-3-12	9,315	-	4,565	4,750	327
Note Payable to Kansas Department Of Health and Environment	3.55	3-1-99	387,523	3-1-17	161,061	-	22,446	138,615	5,520
Note Payable to Kansas Department Of Health and Environment	2.93	1-9-03	313,204	9-1-23	<u>223,532</u>	<u>-</u>	<u>14,356</u>	<u>209,176</u>	<u>6,445</u>
Total contractual indebtedness					1,440,251	-	304,788	1,135,463	58,895
Compensated absences					<u>2,548</u>	<u>9,734</u>	<u>9,307</u>	<u>2,975</u>	<u>-</u>
Total long-term debt					<u>\$ 1,442,799</u>	<u>\$ 9,734</u>	<u>\$ 314,095</u>	<u>\$ 1,138,438</u>	<u>\$ 58,895</u>

#### General obligation bonds

Remaining debt service requirement for general obligation bonds will be paid from the debt service fund with future property tax revenues and special assessment taxes except for the General Obligation Bonds, Series 2006 issue that will be retired from the Waterworks System Fund.

The Series 1997 bonds maturing in the year 2006 and thereafter, may be called for redemption and payment prior to their respective maturities, on December 1, 2006, or thereafter, in whole at any time, or in part as determined by the City on any interest payment date, at a price equal to the principal amount thereof, plus accrued interest to the date established for such redemption and payment.

The Series 1998-1 bonds maturing in the year 2007 and thereafter, may be called for redemption and payment prior to their respective maturities, on December 1, 2006, or thereafter, in whole at any time, or in part as determined by the City on any interest payment date, at a price equal to the principal amount thereof, plus accrued interest to the date established for such redemption and payment.

### 3. LONG-TERM DEBT (continued)

The Series 1998-2 bonds maturing in the year 2007 and thereafter, may be called for redemption and payment prior to their respective maturities, on December 1, 2006, or thereafter, in whole at any time, or in part as determined by the City on any interest payment date, at a price equal to the principal amount thereof, plus accrued interest to the date established for such redemption and payment.

The Series 2002 bonds are not subject to optional redemption and payment prior to their stated maturity.

The Series 2004 bonds maturing on November 1, 2013 and thereafter, may be called for redemption and payment prior to their stated maturity on November 1, 2012, and thereafter as a whole or in part (selection of maturities and the amount of bonds of each maturity to be redeemed to be determined by the City in such equitable manner as it may determine) at any time at the redemption price of 100% (expressed as a percentage of the principal amount), plus accrued interest thereon to the redemption date.

The Series 2006 bonds maturing on or after August 1, 2014 and thereafter, may be called for redemption and payment prior to their stated maturity on August 1, 2013, and thereafter as a whole or in part (selection of maturities and the amount of bonds of each maturity to be redeemed to be determined by the City in such equitable manner as it may determine) at any time, at the redemption price of 100% (expressed as a percentage of the principal amount), plus accrued interest thereon to the redemption date.

General obligation bonds payable are serial bonds to be retired through calendar year 2020. At December 31, 2011 the bonds to be retired from the debt service fund consist of the following:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 170,000	\$ 18,867	\$ 188,867
2013	75,000	11,010	86,010
2014	20,000	7,570	27,570
2015	25,000	6,770	31,770
2016	25,000	5,745	30,745
2017	25,000	4,695	29,695
2018	25,000	3,620	28,620
2019	25,000	2,520	27,520
2020	30,000	1,395	31,395
	<u>\$ 420,000</u>	<u>\$ 62,192</u>	<u>\$ 482,192</u>

#### General obligation bonds payable from Waterworks Utility Fund

Remaining debt service requirements for the General Obligation Bonds, Series 2006, to be paid from the Waterworks System Fund is as follows:

### 3. LONG-TERM DEBT (continued)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 60,000	\$ 10,472	\$ 70,472
2013	65,000	8,103	73,103
2014	65,000	5,502	70,502
2015	<u>70,000</u>	<u>2,870</u>	<u>72,870</u>
	<u>\$ 260,000</u>	<u>\$ 26,947</u>	<u>\$ 286,947</u>

#### Capitalized lease obligations

During 2008, the City entered into a lease purchase agreement for financing an ambulance. The lease provides for monthly payments of \$2,390, including interest, through January 2014.

During 2003, the City entered into a lease purchase agreement for financing a new fire truck. The lease provides for annual payments of \$27,635, including interest, through August 2013.

The outstanding leases qualify as capital leases for accounting purposes and, accordingly, have been recorded at the present value of the minimum payments at the date of lease inception. The annual requirements to amortize the capital lease obligations outstanding at December 31, 2011, including interest payments, are as follows:

<u>Year</u>	<u>Fire Truck</u>	<u>Ambulance</u>	<u>Total</u>
2012	\$ 27,635	\$ 28,680	\$ 56,315
2013	27,635	28,680	56,315
2014	<u>—</u>	<u>2,390</u>	<u>2,390</u>
Total minimum lease payments	55,270	59,750	115,020
Less amounts representing interest	<u>(6,769)</u>	<u>(5,329)</u>	<u>(12,098)</u>
Present value of lease payments	<u>\$ 48,501</u>	<u>\$ 54,421</u>	<u>\$ 102,922</u>

The fire truck lease is being financed from the City's Fire Truck Reserve Fund and the ambulance from the Ambulance Acquisition Reserve Fund.

#### Note payable to Firemen's Relief Association

During 2002, the City entered into a loan agreement with the Conway Springs Firemen's Relief Association to assist in financing the City's new fire truck. The loan agreement provides for semiannual payments, including interest, in the amount of \$2,446 through October 2012. The note is being financed from the City's Fire Truck Reserve Fund.



### 3. LONG-TERM DEBT (continued)

Note payable will be retired through calendar year 2012. At December 31, 2011 the note payable consist of the following:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 4,750	\$ 142	\$ 4,892

#### Revolving loan notes payable

During 1996, the City entered into a loan agreement with the Kansas Department of Health and Environment (KDHE) for financing sewer plant improvements and construction of a new outfall sewer line in the City. At December 31, 2011, the outstanding loan balance was \$138,615. The loan agreement provides for semiannual payments in the amount of \$13,983, including interest at 3.55%.

The revolving loan will be retired through calendar year 2017 from the Sewage System Fund. Amortization of the note payable balance at December 31, 2011 is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 23,249	\$ 4,717	\$ 27,966
2013	24,082	3,884	27,966
2014	24,944	3,022	27,966
2015	25,838	2,128	27,966
2016	26,763	1,203	27,966
2017	13,739	244	13,983
	<u>\$ 138,615</u>	<u>\$ 15,198</u>	<u>\$ 153,813</u>

During 2003, the City entered into an additional loan agreement with the KDHE for sewer line extensions and improvements in the City. At December 31, 2011, the outstanding loan balance was \$209,176. The loan agreement provides for semiannual payments in the amount of \$10,401, including interest at 2.93%. The debt service requirements of the note payable to KDHE are being serviced through user fees generated by the Sewage System Fund. Amortization of the note payable balance at December 31, 2011 is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 14,780	\$ 6,021	\$ 20,801
2013	15,216	5,585	20,801
2014	15,665	5,136	20,801
2015	16,127	4,674	20,801
2016	16,603	4,198	20,801
2017	17,093	3,708	20,801
2018	17,598	3,203	20,801

### 3. LONG-TERM DEBT (continued)

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	18,117	2,684	20,801
2020	18,652	2,149	20,801
2021	19,203	1,598	20,801
2022	19,769	1,032	20,801
2023	<u>20,353</u>	<u>448</u>	<u>20,801</u>
	<u>\$ 209,176</u>	<u>\$ 40,436</u>	<u>\$ 249,612</u>

### 4. PENSION PLAN

#### Plan description

The City participates in the Kansas Public Employees Retirement System (KPERS), a cost sharing multiple employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS, 611 S. Kansas Avenue, Suite 100, Topeka, Kansas 66603-3803.

#### Funding policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for participants employed prior to July 1, 2009 and 6% for participants employed July 1, 2009 and thereafter. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for the period from January 1, 2011 to December 31, 2011 was 7.74%. Included in this rate is the contribution for Group Death and Disability Insurance of 1%. There was a moratorium on the collection of group Death and Disability Insurance premiums from April 1, 2011 through June 30, 2011. The City's contributions to KPERS for the years ending December 31, 2011, 2010 and 2009 were \$14,275, \$15,193 and \$12,935, respectively, equal to the statutory required contributions for those years.

### 5. CAPITAL PROJECT AUTHORIZATIONS

At December 31, 2011 capital project authorizations compared with project expenditures from inception are as follows:

## 5. CAPITAL PROJECT AUTHORIZATIONS (continued)

	Project authorization	Expenditures project inception to December 31, 2011
Park and Pool Renovation	\$ 11,947	\$ 2,706

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, required the reclassification of the Capital Equipment Reserve, Capital Improvement Reserve, Fire Truck Reserve, Ambulance Acquisition Reserve and Emergency Volunteer Building Funds from special revenue fund types to capital project fund types. Under applicable Kansas statutes, these funds are nonbudgeted funds and require no individual project authorizations as normally would be expected for a capital project fund type.

## 6. INTERFUND TRANSFERS

A summary of interfund transfers by individual fund for the year ended December 31, 2011 is as follows:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ —	\$ 62,000
Special Highway	—	3,000
Public Safety	—	3,000
Employee Benefits	14,700	—
Capital Equipment Reserve	38,500	—
Capital Improvement Reserve	12,500	—
Fire Truck Reserve	32,000	—
Ambulance Acquisition Reserve	31,600	—
Waterworks System	—	108,430
Sewage System	—	31,500
Refuse	—	37,000
Ambulance	—	31,600
Waterworks Surplus Reserve	98,230	—
Sewer Replacement Reserve	19,000	—
Refuse Capital Equipment Reserve	<u>30,000</u>	<u>—</u>
Total transfers	<u>\$ 276,530</u>	<u>\$ 276,530</u>

## **7. OTHER POST EMPLOYMENT BENEFITS**

As provided by K.S.A. 12-5040, the City is required to allow retirees to participate in its group health insurance plan. While each retiree is required to pay the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level premium regardless of age. However, the cost of this subsidy, if any, has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City makes health care benefits available to eligible former employees and their eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid entirely by the insured and there is no cost to the City under this program.

## **8. CONTINGENCIES**

The City has violated the maximum contaminant level (MCL), as established by the Environmental Protection Agency (EPA) and monitored by the Kansas Department of Health and Environment (KDHE), in its water supply for allowable nitrate levels on a periodic basis for the past several years. When the water analysis exceeds allowable MCL's for nitrates, the City is required to notify the public of the situation. The City shall provide, free of charge, an alternate source of drinking water for all infants less than six months of age, nursing mothers, and pregnant women. The City is continuing to monitor this situation carefully and continuing to research options for correcting the nitrate levels. The City has participated in a Regional Water Feasibility Study that involved multiple entities participating in a regional nitrate removal plant. The governing body is continuing to consider its alternatives to meet water quality standards, which includes an analysis of the costs that would be incurred by City water customers.

## **9. FUND RECLASSIFICATIONS**

The provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, became effective for periods beginning after June 15, 2010. GASB Statement No. 54 provides for clarification of the definitions of the general fund, special revenue fund type, capital projects fund type and permanent fund type. As a result, the Capital Equipment Reserve, Capital Improvement Reserve, Fire Truck Reserve, Ambulance Acquisition Reserve and Emergency Volunteer Building Funds have been reclassified from a special revenue fund type to a capital project fund type for 2011.

## **10. COMPARATIVE DATA**

The amounts shown for 2010 in the accompanying financial statements are included, where practicable, only to provide for comparison with 2011 and are not intended to present all information necessary for a fair presentation in accordance with the statutory basis of presentation. Certain amounts for 2010 have been reclassified to conform to the 2011 presentation.